

**AUDIT REPORT ON  
U.S. CUSTOMS SERVICE'S  
PERFORMANCE MEASURES  
FOR COMMERCIAL ACTIVITY**

**OIG-01-023**

**December 5, 2000**



**Office of Inspector General**

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**United States Department of the Treasury**



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

December 5, 2000

OFFICE OF  
INSPECTOR GENERAL

MEMORANDUM FOR RAYMOND KELLY, COMMISSIONER  
UNITED STATES CUSTOMS SERVICE

FROM: Dennis S. Schindel *Dennis Schindel*  
Assistant Inspector General for Audit

SUBJECT: Audit Report on U.S. Customs Service's  
Performance Measures for Commercial  
Activities

This memorandum transmits the subject final audit report. This audit is the second in a series of planned audits covering various aspects of the U.S. Customs Service's (Customs) implementation of the Government Performance and Results Act (Results Act).

Our audit found that while considerable progress has been made, implementation of the Results Act is still a work in process. The report discusses improvements needed in the performance measures, supplemental information, consistency between measures, and presentation of crosscutting issues. We have made 10 recommendations to assist Customs in its continuing effort to improve Results Act reporting. The actions taken and planned by Customs satisfy the intent of our recommendations. The complete text of your response dated September 8, 2000, and supplemental response dated October 5, 2000, are included as Appendix 4 and 5, respectively.

We appreciate the courtesies and cooperation provided to our auditors during the audit. If you have any questions regarding this report, you may call me at (202) 927-5400, or a member of your staff may call Charles Mataya, Regional Inspector General for Audit (Houston), at (713) 706-4611.

Attachment

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## Overview

This report presents the results of our audit of the U.S. Customs Service's (Customs) performance measures for commercial activities. The objective of the audit was to assess the relevance of the performance measures for commercial activities. Also, the audit evaluated Customs coordination with other agencies on crosscutting issues. Our audit found that the Government Performance and Results Act (Results Act) reports need to be more clear, complete, and consistent. The Results Act reports do not contain all of the information that the Department of the Treasury (Treasury), Office of Management and Budget (OMB), and Congress—the principal stakeholders—need to evaluate Customs and to make informed budget decisions.

Customs' three commercial processes have produced inconsistent reporting because of varied capabilities, resources, and systems. Essentially, there are six key performance measures to report the results of the three commercial processes.<sup>1</sup> However, to date Customs has been unable to produce reportable numbers for three of these key measures. (See Appendix 1) Reporting for the remaining three measures has also been inconsistent and incomplete. Our report recommends the addition of two performance measures and the elimination of one performance measure, as well as the consistent definition and reporting of measures. (See Appendix 2) We also recommended additional informative disclosures for report clarity.

This report also discusses the need for both overall and significant compliance rates to evaluate Customs performance, as well as a new performance measure needed to cover a key aspect of trade facilitation. Better reporting of cost information is needed to allow users of the Results Act reports to compare the resources devoted to programs with the results achieved. Consistent definitions and measures are needed across processes to make the reports more clear and usable. Further, more complete disclosure of crosscutting issues is needed.

## Background

The Results Act was enacted to systematically hold Federal agencies accountable for achieving program results. Specifically, Federal managers are required to set strategic goals, measure performance, and report on their progress. In enacting the

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<sup>1</sup> The six key measures are the Compliance Rate, Cycle Time, Targeting, Accuracy of Key Statistics, Unit Cost, and Customer Satisfaction.

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Results Act, Congress and the administration realized that the transition to results-oriented management would not be easy. For that reason, the Results Act provided for a phased approach to implementation. The Results Act also emphasizes the importance of consultation with Congress as strategies are planned, goals are identified, and measures are selected.

The purpose of the Results Act is to:

- Improve the confidence of the American people by holding Federal agencies accountable.
- Improve program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction.
- Help Federal managers improve service delivery by requiring them to plan for meeting program objectives.
- Improve congressional decision making by providing more objective information on achieving statutory objectives.
- Improve internal management of the Federal government.

Customs' performance for Fiscal Year (FY) 1999 under the Results Act was presented in two reports: (1) *U.S. Customs Service Accountability Report* (Accountability Report) and (2) *U.S. Customs Service FY 2001 President's Budget Justification Materials* (Budget Justification). The Accountability Report combined the performance report and the financial statements. The Budget Justification combines the performance plan with the FY 2001 budget request. The budget is structured into two major activities: (1) commercial and (2) drug and other enforcement. The commercial activity is comprised of three core processes: (1) trade compliance, which is the commercial importation of merchandise; (2) passenger processing, which is the processing of passengers entering the country; and (3) outbound processing, which is the commercial exportation of merchandise and the processing of passengers leaving the country.

During FY 1999, the most recent complete year of statistical data, Customs employed 19,000 personnel and had total budget resource obligations of \$2.9 billion. Customs collected \$22.1 billion, processed 21.4 million commercial entries valued at an estimated \$977 billion, and cleared 480 million passengers.

## **Objective, Scope and Methodology**

The objective of the audit was to assess the relevance of performance measures for commercial activities. Also, the audit evaluated Customs' coordination with

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other agencies on crosscutting issues. The audit included reviews of FY 1998 - 2001 Results Act reports issued as well as policies and initiatives through March 2000. Fieldwork was performed from July 1999 through March 2000 at Customs Headquarters and its facilities in Houston, Texas. The following four questions were posed to evaluate the relevance of the performance measures for commercial activity.

- Do they present an overall picture of the performance for commercial activities?
- Do they sufficiently cover the key aspects of performance?
- Are they consistent between commercial programs?
- Are they clear and usable?

Data was gathered from information derived from a prior Office of Inspector General (OIG) audit of Customs performance data for commercial operations.<sup>2</sup> We interviewed: (1) Customs officials at its Headquarters and in Houston, Texas; and (2) U.S. General Accounting Office (GAO) officials. We researched GAO reports, Results Act reports from other agencies, news articles, regulations, and public research through extensive Internet queries. In order to assure the usefulness of our recommendations, we discussed our preliminary findings and recommendations with staff representing eight stakeholders: (1) OMB; (2) Office of Strategic Planning, Treasury; (3) Senate Committee on Appropriations; (4) Senate Committee on Finance; (5) Senate Committee on Governmental Affairs; (6) House Committee on Appropriations; (7) House Committee on Ways and Means, Subcommittee on Trade; and (8) House Committee on Government Reform, Subcommittee on Government Management, Information and Technology.

Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and included such audit tests as were determined necessary.

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<sup>2</sup> *Customs Performance Data for Commercial Activities* (OIG-00-036; February 3, 2000).

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## Audit Results

### *Both Overall and Significant Compliance Rates Are Necessary*

Customs has identified the rate of compliance with applicable U.S. laws and regulations as the primary outcome measure for the three commercial processes. The compliance measure for the outbound process is based on the percentage of documents filed timely. It is neither an overall or significant compliance rate since it is not based on a statistical sample of all types of noncompliance. The trade and passenger processes have been reporting different types of compliance rates: (1) an "overall" compliance rate based on all discrepancies and (2) a "significant" compliance rate based only on significant discrepancies. When reporting trade activity, significant discrepancies are defined as those that have major transactional impact, such as narcotics seizures or additional duty collections. When reporting passenger activity, significant discrepancies are referred to as Category One<sup>3</sup> violations.

Under certain circumstances, valid arguments can be made for using either the overall compliance rate, or the significant compliance rate. However, reporting both would give decision-makers a more complete picture of performance. Staff from the majority of the stakeholders with whom we met indicated that both the overall and significant compliance rates were needed to provide complete and useful information. Regardless of the rate reported, users of the Results Act reports should be aware that external factors can effect compliance rates. For example, economic conditions in the U.S. and other countries, as well as other factors, can also effect compliance.

The outbound process will not be able to report compliance rates consistent with the trade and passenger processes until a statistical sampling plan is implemented. (See Recommendation 6) The trade and passenger processes have been moving in different directions on this issue. The Results Act reports for FY 1998 and prior used a significant compliance rate for passenger activity. In FY 1999, the passenger

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<sup>3</sup> Category One - Drugs (above Zero Tolerance), Merchandise (over \$1,250 Domestic Value), Prohibited Weapons and Explosive Devices (except Fireworks), Controlled (21 Code of Federal Regulations §1311.27) or Prohibited Medications (over 1,000 units), Undeclared Currency over \$10,000, and Arrests (excluding Zero Tolerance).

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compliance rate was changed to an overall rate. The trade process has been reporting an overall compliance rate, but in FY 2000 plans to change to a significant compliance rate.

## **Recommendation 1**

The Commissioner of Customs should include both the overall and significant compliance rates in the Results Act reports for all three of the commercial processes.

### **Management Response and OIG Comment**

Customs management concurred with this recommendation. However, while the Trade and Passenger processes will be based on statistical samples, the Outbound projections will be based on enforcement actions.

The actions planned by Customs satisfy the intent of this recommendation.

### **An Additional Measure for Facilitation of Trade and Travel is Necessary**

Customs has the dual mission of facilitating legitimate trade and travel and ensuring that all goods and persons entering and exiting the country do so lawfully. In implementing facilitation, Customs wants to reduce the regulatory burden on trade and travel, while ensuring compliance. Also, Customs attempts to reduce the time that people, cargo, and conveyances wait to be cleared. The cycle time performance measure is intended to measure the wait time. However, there is no measure in the performance plan that recognizes the regulatory requirements, or burden that Customs places on international trade and travel. The regulatory functions of inspections, audits, investigations, rulings, and regulations all impose burdens on importers, exporters, carriers, brokers, and travelers. These requirements include the filing of forms, posting of bonds, retention of records, payments of duties and taxes, and issuance of licenses. Therefore, a performance measure is necessary to evaluate the results of activities in this key aspect of Customs' facilitation mission.

The cost of compliance could be used as an outcome measure of the regulatory burden imposed on international trade and travel. This would measure the cost to the trade community to comply with Customs

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requirements. For example, it would estimate the total dollar cost per entry incurred by importers to comply with importation requirements. There are approximately 445,000 importers who file over 20 million entries a year. The measure could be a barometer reflecting the effect of new laws and regulations on the facilitation of trade, and measure the impact of new Customs initiatives and systems on the trade community.

Other Treasury bureaus currently recognize regulatory burden on the public. For example, the Bureau of Alcohol, Tobacco and Firearms, and the Financial Crimes Enforcement Network both have performance measures which reflect regulatory burden. Also, the Internal Revenue Service publishes time estimates to complete forms in their publications used by taxpayers. Stakeholder representatives we consulted with agreed that cost of compliance was a useful measure.

Stakeholders also suggested that the data be collected from private industry in a manner that did not create an undue burden. Some Customs managers were concerned that it may not be possible to collect reliable and verifiable data from importers and exporters without placing an undue burden on them. Managers were also aware that there is no legal requirement for companies to provide this proprietary information. Further, since Customs and the Bureau of the Census share responsibilities in the outbound area, it may be difficult for some companies to segregate the Customs costs.

The data collection process would require only two data inputs, the number of entries filed and the cost of meeting all associated Customs requirements. For most one time and very small importers, the cost would simply be their brokers fees. It will be necessary to assure importers that the data collected would be strictly confidential and would not be used for any other purposes. There are benefits to companies for providing the cost data. First, since this will be a key performance measure, Customs will be actively working to reduce importer and exporter costs. Second, it will allow the trade community to benchmark their costs against industry averages. Finally, it will provide stakeholders with important information when considering new laws and regulations that may significantly raise industry costs.

There are several approaches that could be used to obtain this information. Specifically:

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- Customs could request that importers and exporters volunteer to partner with them to form focus groups to provide a basis for the measure.
  - Customs could work with trade associations to define the cost elements and estimation techniques to assist in the accumulation of information. For example, a stratified sampling plan could be developed that would require the cost data from about 500 importers annually. Further, the sampling plan could be developed so that no individual importer would be requested to provide data more than once every 5 years.
  - Customs could seek a legislative requirement for importers to provide cost data and allow for a method to verify data reliability.

## **Recommendation 2**

The Commissioner of Customs should evaluate the alternatives for measuring regulatory burden and implement the most practical measure.

### **Management Response and OIG Comment**

Customs concurred with this recommendation. As stated in its supplemental management response (see Appendix 5), Customs agreed that an assessment of regulatory burden can be a useful measure. However, due to legal and operational issues that are problematic for Customs, it will meet with external stakeholders to discuss how best to proceed with this recommendation.

Customs' planned actions satisfy the intent of this recommendation.

### **Better Cost Information is Needed**

The Results Act reports reflect total budget and personnel full time equivalents (FTE) for commercial activity. However, these numbers are not separately reported by trade, passenger, and outbound processes. Reporting the total cost and FTEs up front will put the performance measures that follow in proper perspective. This will be especially informative because Customs reports the data for prior year actuals, current year plans, and the following year's proposed plan in a tabular

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format. The budget should be reported for current and future years and the cost for prior years. This will allow users of the Results Act reports to compare the resources devoted to programs with the results achieved. Performance goals are of minimal value for congressional appropriations decisions without a connection to the resources requested. Staff from 6 of the 8 stakeholders with whom we met stated that this would be useful information.

Customs has a unit cost performance measure. However, the Results Act reports to date have not included any data for this measure. The unit cost was initially designed as an efficiency measure for balanced reporting. It was to be a cost per entry or passenger. However, the unit cost was changed from a dollar amount to a ratio of current costs to a baseline year. The calculation of the ratio will use an index of 1 to 10 with 5 being a baseline year. The unit cost ratio may be overly complicated and may not be useful for decision making. None of the staff representing the eight stakeholders with whom we met indicated that this measure would be useful to them.

### **Recommendation 3**

The Commissioner of Customs should direct the Office of Finance to include the cost and FTEs for the trade, passenger and outbound processes in the Results Act reports. If future Results Act reports change the presentation of performance measures, then Customs should consult with its key stakeholders to determine the cost breakout that would be most useful to them.

#### **Management Response and OIG Comment**

Customs management concurred with this recommendation. Customs will report cost data consistent with the current programs.

The actions planned by Customs satisfy the intent of this recommendation.

### **Recommendation 4**

The Commissioner of Customs should eliminate the reporting of the unit cost performance measure.

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## **Management Response and OIG Comment**

Customs management concurred with this recommendation and will eliminate the unit cost performance measure.

The actions planned by Customs satisfy the intent of this recommendation.

### **Consistency in the Definition and Development of Measures is Needed**

The performance measures for the three programs in commercial activities were developed independently. As a result, there is inconsistency between the measures reported for each, and in the definitions of measures. There is one targeting performance measure for the passenger process, a different measure for the outbound process, and none for the trade process. The definitions as to what are included in the compliance rates are different for all three processes. Consistency in the measures used and in definitions is necessary to make the Results Act reports more clear and useful to stakeholders. All of the stakeholders with whom we met indicated that consistency would make the reports clearer and more useful to them.

The compliance and targeting measures are different for the outbound process because they are not based on national random samples. According to Customs, resources are not available to take samples by port for the outbound process such as those taken for the trade and passenger processes. However, a much smaller sample could be taken for the outbound process by taking a random sample of transactions at statistically selected ports and time intervals. This sample could be projected nationally and used for annual performance measures.

## **Recommendation 5**

The Commissioner of Customs should direct commercial programs to consistently apply common performance measures and definitions across all three programs where possible. Where this is not possible, the reasons for the differences should be explained in the performance report.

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## **Management Response and OIG Comment**

As stated in its supplemental management response (see Appendix 5), Customs management concurred with this recommendation. Measurements and definitions will be applied consistently across all three of the Commercial processes. Where this is not possible, a footnote explaining the differences will be included in the report.

The actions planned by Customs satisfy the intent of this recommendation.

## **Recommendation 6**

The Commissioner of Customs should direct the design of a sampling plan for the outbound process that can be projected nationally.

## **Management Response and OIG Comment**

As stated in its supplemental management response (see Appendix 5), Customs management concurred with this recommendation. Currently, Customs does not have sufficient resources to conduct a national Outbound sampling measurement program. Customs will identify the resources required and request them in the FY 2003 budget process.

The actions planned by Customs satisfy the intent of this recommendation.

## **Disclosure of Crosscutting Efforts is Needed**

Interagency coordination is important for ensuring that crosscutting program efforts are mutually reinforcing and efficiently implemented. The Results Act reports should identify crosscutting programs with other agencies. For those identified, complementary performance goals should indicate how differing program strategies are mutually reinforcing and complementary performance measures should be set. Also, the reports should briefly describe planned coordination strategies.

In an audit report on FY 2000 Federal performance plans, GAO identified coordination of crosscutting efforts as a key weakness.<sup>4</sup> Another GAO

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<sup>4</sup> *Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans* (GGD/AIMD-99-215; July 1999).

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report on barriers to interagency coordination identified border inspections, drug control, investigative authority, drug trafficking, and combating terrorism as areas of fragmentation and overlap.<sup>5</sup>

Customs' Results Act reports do not contain a listing of crosscutting efforts. *OMB Circular A-11* requires that at a minimum, the annual plan should indicate those crosscutting programs undertaken with other agencies. The Circular further states that an index displaying agencies and the relevant programs or activities may be a useful format. The table of crosscutting programs and activities grouped by agency from the Department of Commerce performance plan is an example of a best practice in this area.

Customs provides import and export data to the Bureau of the Census, which is used to prepare the published trade statistics. However, Customs Results Act reports do not discuss complementary performance goals and measures with those of the Bureau of the Census dealing with the trade data. Currently, Customs has a performance measure "Accuracy of Key Statistics" for trade, but none for outbound. This is a crosscutting issue that should involve complementary performance measures between the Bureau of the Census and Customs' trade and outbound processes.

### **Recommendation 7**

The Commissioner of Customs should include a listing of all crosscutting efforts with other agencies in the performance plan.

### **Management Response and OIG Comment**

Customs management concurred with this recommendation and will follow the requirements of OMB Circular A-11.

The actions planned by Customs satisfy the intent of this recommendation.

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<sup>5</sup> *Managing for Results: Barriers to Interagency Coordination* (GGD-00-106; March 2000).

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## **Recommendation 8**

The Commissioner of Customs should contact the Bureau of the Census to discuss mutually reinforcing program strategies and to determine if complementary performance measures should be reported.

### **Management Response and OIG Comment**

Customs management concurred with this recommendation.

The actions planned by Customs satisfy the intent of this recommendation.

### **Additional Disclosures are Needed**

The Results Act is a phased and iterative implementation process. Ultimately, the Results Act reports should show the benefits to the public for the resources expended. Staff from one stakeholder with whom we met felt that the compliance rates were output rather than outcome measures. To avoid such confusion and to show where the implementation process is heading, Customs needs to describe the logic of how individual programs use inputs in program components to produce outputs and outcomes. A program logic model, such as the simplified example in Appendix 3, could be used to show the progression of how inputs are converted into outputs, initial outcomes, intermediate outcomes, and end outcomes. This would help external stakeholders see how changes in resources and program components might better impact outcomes. Also, this would provide a basis for discussing the long-term direction of the Results Act reports.

A significant challenge to Customs in implementing the Results Act is obtaining sufficient reliable data for the performance measures. Of the 19 performance measures currently identified in the Results Act reports, reportable data are not available for 9 measures. (See Appendix 1) The Results Act reports do not fully discuss the problems in obtaining the data, and do not provide estimates of when it is anticipated that the data for these measures will be reported.

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## **Recommendation 9**

The Commissioner of Customs should include a program logic model and discussion of the long-term plans for performance reporting in the Results Act Reports.

### **Management Response and OIG Comment**

Customs management concurred with this recommendation. Customs has no objection to including a program logic model in future reports.

The actions planned by Customs satisfy the intent of this recommendation.

## **Recommendation 10**

The Commissioner of Customs should include a discussion of the problems in obtaining the data and an estimate of when the data will be reported for those performance measures for which reliable data are not currently available.

### **Management Response and OIG Comment**

Customs management concurred with this recommendation.

The actions planned by Customs satisfy the intent of this recommendation.

Customs Current and Planned Performance Measures

TRADE

PASSENGER

OUTBOUND

Overall compliance rate  
Primary Focus Industry (PFI)  
compliance rate

Overall compliance rate

Overall compliance rate

Revenue compliance rate  
*North American Free Trade  
Agreement (NAFTA) compliance*

Cycle time

Cycle time

Targeting efficiency

Targeting effectiveness

*Accuracy of key statistics*

*Unit cost*

*Unit cost*

*Unit cost*

*Customer satisfaction*

*Customer satisfaction*

Customer satisfaction

Advanced Passenger Information  
System (APIS) rate

Automated Export System (AES)  
participation

FY 1999 Performance measures reported (in black)

*Performance measures listed in plan; however, numbers are not yet available (in red and Italics)*

Performance measures and numbers Customs plans to include in future years (in blue and bold)

Customs Performance Measures Recommended by the OIG

**TRADE**

**PASSENGER**

**OUTBOUND**

*Cost - FTEs*

*Cost - FTEs*

*Cost - FTEs*

**Performance Measures**

Overall compliance rate  
*Significant compliance rate*  
Revenue compliance rate

Overall compliance rate  
*Significant compliance rate*

Overall compliance rate  
*Significant compliance rate*

*Cost of compliance*  
Cycle time  
*Targeting effectiveness*  
Accuracy of trade statistics

*Cost of compliance*  
Cycle time  
Targeting effectiveness

*Cost of compliance*  
Cycle time  
Targeting effectiveness  
*Accuracy of trade statistics*

Customer satisfaction

Customer satisfaction

Customer satisfaction

**Interim Measures**

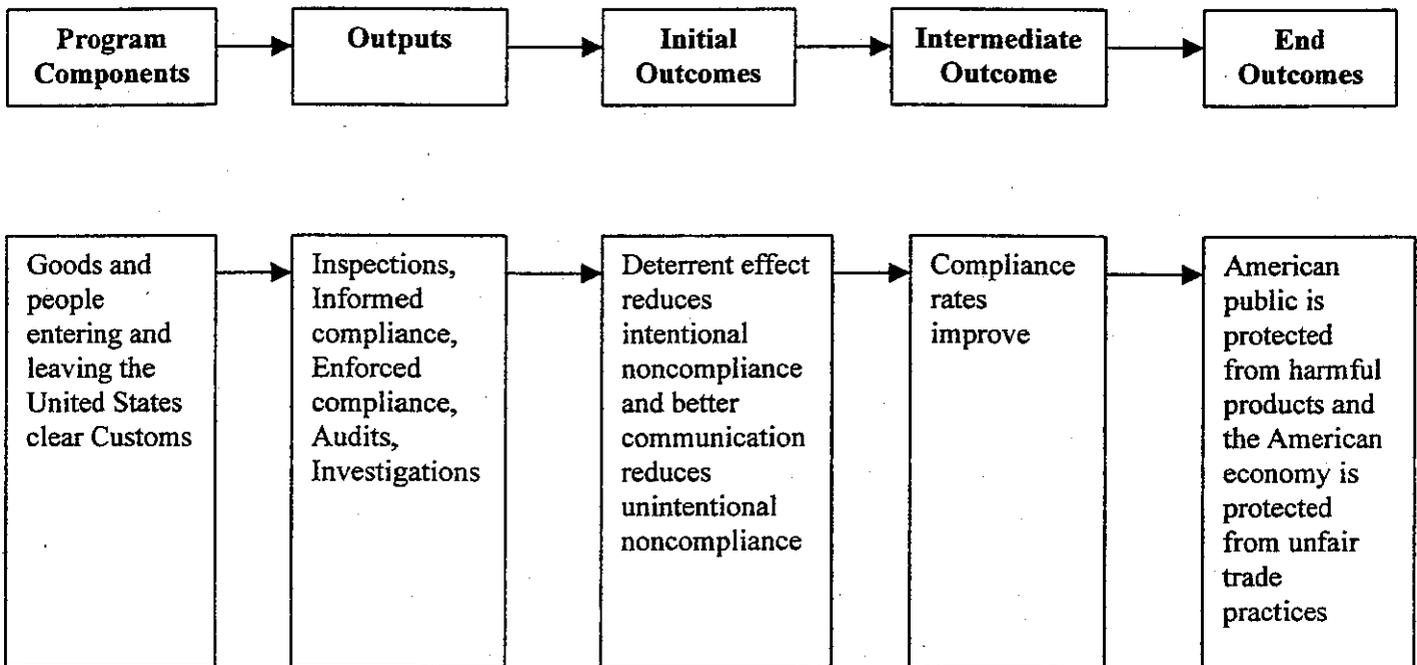
Automated Commercial  
Environment (ACE)/Mod Act  
PFI compliance rate  
NAFTA compliance rate

APIS rate

AES participation

Customs current and planned performance measures (in black)  
*Performance measures and information recommended by the OIG (in green and Italics)*  
Measure should be developed as ACE is funded (in blue and bold)

**Program Logic Model for Customs Commercial Activities**



MANAGEMENT RESPONSE



U.S. Customs Service

Memorandum

DATE: September 8, 2000

FILE: AUD-1-OP MD

MEMORANDUM FOR DENNIS SCHINDEL  
ASSISTANT INSPECTOR GENERAL

FROM: Director,  
Office of Planning

SUBJECT: Draft Audit Report on the Customs Service  
Performance Measures

Thank you for providing us with a copy of your draft report entitled "Customs Performance Measures for Commercial Activities" and the opportunity to discuss the issues in this report. In general, we agree with the recommendation stated and have taken steps to address issues noted. However, we did find some instances within the report, which require clarification.

We have determined that the information in the audit does not warrant protection under the Freedom of Information Act.

Attached are our comments regarding the draft report. If you have any questions regarding the attached comments, please have a member of your staff contact Ms. Brenda Brockman at (202) 927-1507.

*Brenda Brockman*  
for William F. Riley

Attachment

TRADITION

**U. S. Customs Service****Comments on OIG Draft Report "Customs Performance Measures  
for Commercial Activities"**Recommendation 1

The Commissioner of Customs should include both the overall and significant compliance rates in the Results Act reports for all three of the commercial processes.

Comment:

We concur with this recommendation. Trade and Passenger Commercial processes currently collect statistics for both overall and significant compliance rates. Outbound supports this recommendation to the extent that it is understood that projections will be based on enforcement actions and not on statistically valid random samples.

Outbound lacks sufficient resources to measure compliance in the same meaningful way as does Trade Compliance and Passenger programs. Enforcement and compliance activity can be reported as overall and significant.

Recommendation 2

The Commissioner of Customs should evaluate the alternatives for measuring regulatory burden and implement the most practical measure.

Comment:

We concur that an assessment of regulatory burden can be a useful measure in the context of overall customer satisfaction. A stand-alone measurement on regulatory burden is not acceptable because collection of data to satisfy this measure will carry increased costs and burden to the trade. The trade community views cost information as sensitive proprietary information, the submission of which is burdensome. Customs has no legal authority to make importers provide cost data. There is not an automated system in place to collect reliable data.

Our customer satisfaction measurement approach has been fully accepted by all parties potentially affected by this measure consistent with the intent of the Results Act. We believe this approach permits the

customer and Customs the opportunity to service a variety of issues that may be affecting the process. We are already required to provide an assessment of regulatory burden costs when we initiate new regulatory requirements. We believe these costs are better identified at the beginning of a regulatory process instead of after.

Recommendation 3

The Commissioner of Customs should direct the Office of Finance to include the cost and FTE's for the trade, passenger and outbound processes in the Results Act reports. If future Results Act reports change the presentation of performance measures, then Customs should consult with its key stakeholders to determine the cost breakout that would be most useful to them.

Comment:

We concur with this recommendation. The cost data will be portrayed consistent with the current programmatic breakouts. Any proposed change with the current presentation cannot be made available until the FY 2003 budget submission, at the earliest. In addition, we may not be able to retroactively provide a crosswalk between the current programmatic presentations and proposed changes.

Recommendation 4

The Commissioner of Customs should eliminate the reporting of the unit cost performance measure.

Comment:

We concur with this recommendation.

Recommendation 5

The Commissioner of Customs should direct commercial programs to consistently apply common performance measures and definitions across all three programs where possible. Where this is not possible, the reasons for the differences should be explained in the performance report.

Comment:

We do not support this recommendation. Where possible, measurement and definitions have been developed consistently across all three programs. It should be noted, however, reporting requirements for export

goods are not equivalent to the entry requirements of the Passenger Process or the Trade Process. Additionally, within the Processes, the regulatory and statutory requirements change with the mode of transportation. We have similar performance measures for Trade, Passenger and Outbound Processing:

- Targeting Efficiency Rate (Trade-Passenger-Outbound)
- Verification Rate (Trade)
- Apprehension Rate (Trade-Passenger)
- Inconvenience Rate (Trade)
- Cycle Time (Passenger)

The Trade compliance process is more complex than passenger processing is. This complexity must be taken into consideration when comparing results such as targeting efficiency rates. To avoid comparing apples to oranges each process has measures that best speak to their performance – this approach best serves the managers of the Customs Service. In addition to the challenge presented by differences among the processes, it must be emphasized that current automation does not permit Customs to segregate trade data on targeted shipments from shipments examined or reviewed only because of legal mandates or the need to verify compliance improvements. Development of an accurate targeting efficiency rate is dependent on further automation advancements in line with the Automated Commercial Environment initiative.

Recommendation 6

The Commissioner of Customs should direct the design of a sampling plan for the outbound process that can be projected nationally.

Comment:

We support this recommendation in theory, however, there are currently insufficient resources dedicated to the Outbound Process to undertake a sampling program large enough to be statistically valid, comparable to the Trade Compliance Program. Customs has undertaken several attempts to obtain statistically valid samples for significant violations.

These sampling programs have been determined to be insufficient based on the lack of resources to consistently collect the data on a large enough universe of exports. Because of a lack of resources, Outbound has taken alternative actions.

Baselines for compliance issues can be collected for general violations, and can be projected nationally. These violation types include SED

submission, timeliness of submission and compliance with manifest requirements. The area of compliance that cannot be measured is linked to significant enforcement activities, such as currency smuggling, automobile theft, etc. For regulatory issues, compliance measurement can use a statistically valid methodology, prescribed by the Office of Strategic Trade (OST). Outbound has worked with OST in developing statistically valid methodology for vessel, air, and truck in conducting compliance measurement. Outbound will continue to work with OST to develop the frequency of the compliance measurements submitted by the field (i.e. quarterly, semi-annually, or annually).

Recommendation 7

The Commissioner of Customs should include a listing of all crosscutting efforts with other agencies in the performance plan.

Comment:

We concur with this recommendation and will follow the requirements of OMB Circular A-11.

Recommendation 8

The Commissioner of Customs should contact the Bureau of the Census to discuss mutually reinforcing program strategies and to determine if complementary performance measures should be reported.

Comment:

We concur with this recommendation. Customs has worked with Census to develop measures and the result is the one-labeled "Accuracy of Key Statistics". For the year 2000, the data to be used will be the overall Compliance Measurement rate. We will continue to work with Census to synchronize our statistical accuracy measures.

Recommendation 9

The Commissioner of Customs should include a program logic model and discussion of the long-term plans for performance reporting in the Results Act Reports.

Comment:

We concur with this recommendation. Customs has no objection to the inclusion of a program logic model in the performance reports prepared by the agency.

Recommendation 10

The Commissioner of Customs should include a discussion of the problems in obtaining the data and an estimate of when the data will be reported for those performance measures for which reliable data is not currently available.

Comment:

We concur with this recommendation.

**GENERAL COMMENTS**

The OIG draft report states on page 1 that "The Results Act was enacted to systematically hold Federal agencies accountable for achieving program results." Its purpose is much wider. The law states the purpose of the Act is to:

- Improve the confidence of the American people by holding Federal agencies accountable;
- Improve program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction;
- Help Federal managers improve service delivery by requiring them to plan (realistically) for meeting program objectives;
- Improve congressional decision making by providing more objective information on achieving statutory objectives; and
- Improve internal management of the Federal government.

This expanded statement of purpose for the Results Act is important to note in the OIG draft report.

On page 2, the OIG draft report states that Customs had an operating budget of 2.9 billion. This is not accurate, due to the way user fee revenues are presented in our budget. In actuality, it is more like \$2.4 billion. It also states that Customs processed 21.4 million entries. This is correct if the word "commercial" is inserted before entries. Customs processes several million informal entries as well.



**U.S. Customs Service**

*Memorandum*

**DATE: October 5, 2000**

**FILE: AUD-1-OP MD**

**MEMORANDUM FOR DENNIS SCHINDEL  
ASSISTANT INSPECTOR GENERAL**

**FROM: Director,  
Office of Planning**

**SUBJECT: Draft Audit Report on Customs Performance  
Measures for Commercial Activities**

Members of the Office of Field Operations, Office of Strategic Trade and the Office of Planning met with a representative from your office to address issues regarding our comments to your draft report, subject as above. As a result of the meeting, Customs agreed to modify its response to Recommendation Numbers 2, 5 and 6.

If you have any questions regarding the attached response, please have a member of your staff contact Ms. Brenda Brockman at (202)927-1507.

A handwritten signature in black ink, appearing to read "William F. Riley".

William F. Riley

Attachment

**U.S. Customs Service****Supplemental Response to OIG Draft Report  
"Customs Performance Measures for Commercial Activities"**

**Recommendation #2: Please revise our response to read:**

We concur with this recommendation and agree that an assessment of regulatory burden can be a useful measure in the context of overall customer satisfaction. However, the legal and operational issues surrounding this recommendation are problematic for Customs. We will work with the Office of Congressional Affairs to arrange a meeting with our external stakeholders to discuss how best to proceed with this recommendation.

**Recommendation #5: Please revise our response to read:**

We concur with this recommendation. Where possible, measurements and definitions will be applied consistently across all three of the Commercial processes. When measures are not consistently applied across all three programs, a footnote explaining all differences will be included in the measurement reporting documents.

**Recommendation #6: Please revise our response to read:**

We concur with this recommendation. However, there are currently insufficient resources in the Outbound process to undertake any kind of national sampling measurement program. In the FY 2003 budget process, Customs will identify the resources required to conduct such a sampling program. When the resources necessary are available, Customs will implement a sampling measurement program for Outbound programs.

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## MAJOR CONTRIBUTORS TO THIS REPORT

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Appendix 6

Page 1 of 1

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